

UNIFIED SCHOOL DISTRICT NO. 486, ELWOOD, KANSAS

FINANCIAL STATEMENTS
(with Independent Auditors' Report thereon)

For the Year Ended June 30, 2010

UNIFIED SCHOOL DISTRICT NO. 486, ELWOOD, KANSAS
FINANCIAL STATEMENTS
Year ended June 30, 2010

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Kramer & Associates CPAs, LLC

Making the right move for your business

*Tony Kramer, CPA
Joseph J. Wood, CPA
Deb Taylor, CPA
Megan Todd, CPA
Amy Schwinn, CPA
Sherrie Hodges, CPA*

INDEPENDENT AUDITORS' REPORT

To the Board of Education
Unified School District No. 486,
Elwood, Kansas

We have audited the accompanying financial statements as listed in Table of Contents of Unified School District No. 486, Elwood, Kansas, as of and for the year ended June 30, 2010. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year partial comparative information has been derived from the District's financial statements for the year ended June 30, 2009 and, in our report dated December 3, 2009, we expressed an unqualified opinion on the financial statements in accordance with the cash basis and budget laws of the State of Kansas and an adverse opinion on the financial statements in accordance with generally accepted accounting principles (see Note 1).

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the *Kansas Municipal Audit Guide*, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described in Note 1, Unified School District No. 486, Elwood, Kansas, prepares its financial statements in conformity with the accounting practices prescribed by the State of Kansas to demonstrate compliance with the cash basis and budget laws of the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Unified School District No. 486, Elwood, Kansas or the changes in its financial position for the year ended June 30, 2010.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of Unified School District No. 486, Elwood, Kansas, as of June 30, 2010, and its cash receipts and expenditures, and budgetary comparisons, taken as a whole, for the year then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2010, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Unified School District No. 486, Elwood, Kansas. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects, on the basis of accounting described in Note 1, in relation to the financial statements taken as a whole.

This report is intended solely for the information of the Board of Education and committees thereto, management, others within the entity, U.S. Department of Education, U.S. Department of Agriculture, the Kansas Division of Accounts and Reports, and the Kansas State Department of Education and is not intended to be and should not be used by anyone other than these specified parties.

KRAMER & ASSOCIATES CPAs, L.L.C.

Kramer & Associates CPAs, LLC
Leavenworth, Kansas
December 13, 2010

UNIFIED SCHOOL DISTRICT NO. 486, ELWOOD, KANSAS
SUMMARY OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH
Year ended June 30, 2010

Funds	Beginning unencumbered cash balance	Prior year canceled encumbrances	Cash receipts	Expenditures	Ending unencumbered cash balance	Outstanding encumbrances and accounts payable	Ending cash balance
Governmental type funds:							
General	\$ (241,664)	\$ -	\$ 2,677,847	\$ 2,612,402	\$ (176,219)	\$ -	\$ (176,219)
Supplemental general	(51,678)	-	493,541	485,000	(43,137)	-	(43,137)
Special revenue funds:							
Capital outlay	100,000	-	108,218	174,642	33,576	27,650	61,226
Driver training	5,532	-	13,283	13,854	4,961	-	4,961
Food service	34,050	-	214,659	217,639	31,070	-	31,070
Professional development	200	-	-	200	-	-	-
Special education	34,512	-	347,691	360,257	21,946	-	21,946
At risk	-	-	368,169	368,169	-	-	-
Vocational education	-	-	41,104	41,104	-	-	-
KPERS retirement contributions	-	-	158,238	158,238	-	-	-
Textbook rental	-	-	3,667	3,667	-	-	-
Contingency reserve	147,255	-	-	-	147,255	-	147,255
Federal funds	1,800	-	204,519	206,319	-	899	899
Grant funds	-	-	-	-	-	-	-
Joint recreation commission	-	-	13,077	13,077	-	-	-
Gate receipts	3,653	-	37,757	34,345	7,065	-	7,065
School projects	9,568	-	15,369	21,078	3,859	-	3,859
Debt service fund:							
Bond and interest		-	126,982	171,092	273,818	-	273,818
Total reporting entity (excluding agency fund)	<u>317,928</u>	<u>-</u>	<u>4,824,121</u>	<u>4,881,083</u>	<u>304,194</u>	<u>28,549</u>	<u>332,743</u>
	\$ 361,156	\$ -	\$ 4,824,121	\$ 4,881,083	\$ 304,194	\$ 28,549	\$ 332,743
Composition of cash:							
Checking							\$ 7,929
Checking - activity accounts							30,454
Checking - flex spending							3,728
Petty cash							1,000
Certificates of deposit							312,890
Total cash							356,001
Less agency funds							(23,258)
Total reporting entity (excluding agency funds)							\$ 332,743

The accompanying notes are an integral
part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 486, ELWOOD, KANSAS
SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET
Year ended June 30, 2010

Funds	Certified budget	Adjustment to comply with legal max	Adjustment for qualifying budget credits	Total budget for comparison	Expenditures chargeable to current year	Variance - over (under)
Governmental type funds:						
General	\$ 2,694,458	\$ (201,000)	\$ 118,944	\$ 2,612,402	\$ 2,612,402	\$ -
Supplemental general	\$ 485,000	\$ -	\$ -	\$ 485,000	\$ 485,000	\$ -
Special revenue funds:						
Capital Outlay	\$ 203,600	\$ -	\$ -	\$ 203,600	\$ 174,642	\$ 28,958
Driver training	\$ 16,000	\$ -	\$ 4,433	\$ 20,433	\$ 13,854	\$ 6,579
Food service	\$ 241,852	\$ -	\$ -	\$ 241,852	\$ 217,639	\$ 24,213
Professional development	\$ 1,200	\$ -	\$ -	\$ 1,200	\$ 200	\$ 1,000
Special education	\$ 449,512	\$ -	\$ -	\$ 449,512	\$ 360,257	\$ 89,255
At risk	\$ 460,000	\$ -	\$ -	\$ 460,000	\$ 368,169	\$ 91,831
Vocational education	\$ 60,000	\$ -	\$ -	\$ 60,000	\$ 41,104	\$ 18,896
KPERS retirement contributions	\$ 166,603	\$ -	\$ -	\$ 166,603	\$ 158,238	\$ 8,365
Federal funds	\$ 241,495	\$ -	\$ -	\$ 241,495	\$ 206,319	\$ 35,176
Joint recreation commission	\$ 12,355	\$ -	\$ -	\$ 12,355	\$ 13,077	\$ (722)
Debt service fund:						
Bond and interest	\$ 171,141	\$ -	\$ -	\$ 171,141	\$ 171,092	\$ 49

The accompanying notes are an integral part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 486, ELWOOD, KANSAS
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
 GENERAL FUND
 Year ended June 30, 2010

	Prior year actual	Current year		
		Actual	Budget	Variance - over (under)
Cash receipts:				
Taxes and shared revenue:				
Ad valorem property - taxes in process	\$ 7,556	\$ 20,940	\$ 16,123	\$ 4,817
Ad valorem property - current taxes	200,803	196,093	191,465	4,628
Delinquent	4,565	2,832	8,165	(5,333)
State aid:				
Equalization aid	2,209,619	1,956,416	2,029,984	(73,568)
Special education services	284,176	258,021	325,000	(66,979)
Federal aid:				
ARRA stabilization	—	123,521	123,521	—
Miscellaneous	120	1,080	200	880
Reimbursed expenses	117,066	118,944	—	118,944
Total cash receipts	<u>2,823,905</u>	<u>2,677,847</u>	<u>\$ 2,694,458</u>	<u>\$ (16,611)</u>
Expenditures and transfers subject to budget:				
Instruction	1,163,124	1,180,392	\$ 973,040	\$ (207,352)
Student support services	53,274	64,026	56,500	(7,526)
Instructional support staff	41,465	45,137	41,800	(3,337)
General administration	141,381	146,746	145,100	(1,646)
School administration	254,620	226,290	248,618	22,328
Central services	41,268	42,972	45,200	2,228
Operations and maintenance	276,885	251,115	265,200	14,085
Student transportation services	31,997	17,528	34,000	16,472
Transfers out	882,852	638,196	885,000	246,804
Adjustment to comply with legal max	—	—	(201,000)	(201,000)
Legal general fund budget	<u>2,886,866</u>	<u>2,612,402</u>	<u>2,493,458</u>	<u>(118,944)</u>
Adjustment for qualifying budget credits:				
Reimbursements	—	—	118,944	118,944
Total expenditures and transfers subject to budget	<u>2,886,866</u>	<u>2,612,402</u>	<u>\$ 2,612,402</u>	<u>\$ —</u>
Receipts over (under) expenditures	(62,961)	65,445		
Unencumbered cash, beginning of year	<u>(178,703)</u>	<u>(241,664)</u>		
Unencumbered cash, end of year	<u>\$ (241,664)</u>	<u>\$ (176,219)</u>		

The accompanying notes are an integral
part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 486, ELWOOD, KANSAS
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
 SUPPLEMENTAL GENERAL FUND
 Year ended June 30, 2010

	Prior year actual	Current year		
		Actual	Budget	Variance - over (under)
Cash receipts:				
Taxes and shared revenue:				
Ad valorem property - taxes in process	\$ 5,474	\$ 17,146	\$ 16,249	\$ 897
Ad valorem property - current taxes	164,740	190,343	175,446	14,897
Delinquent	4,287	3,094	6,821	(3,727)
Motor vehicle	10,264	10,397	12,653	(2,256)
Recreational vehicle	114	101	141	(40)
State aid:				
Equalization aid	229,524	202,899	271,416	(68,517)
Federal aid:				
ARRA stabilization	-	69,561	-	69,561
Reimbursed expenses	4,353	-	-	-
Total cash receipts	418,756	493,541	\$ 482,726	\$ 10,815
Expenditures and transfers subject to budget:				
Instruction	199,499	125,928	\$ 198,802	\$ 72,874
Student support services	3,000	5,816	4,500	(1,316)
Instructional support staff	797	1,316	1,800	484
General administration	431	13,590	430	(13,160)
Operations and maintenance	54,854	66,214	64,500	(1,714)
Transfers out	200,772	272,136	214,968	(57,168)
Adjustment to comply with legal max	-	-	-	-
Legal supplemental general fund budget	459,353	485,000	485,000	-
Adjustment for qualifying budget credits:				
Reimbursements	-	-	-	-
Total expenditures and transfers subject to budget	459,353	485,000	\$ 485,000	\$ -
Receipts over (under) expenditures	(40,597)	8,541		
Unencumbered cash, beginning of year	(11,081)	(51,678)		
Unencumbered cash, end of year	\$ (51,678)	\$ (43,137)		

The accompanying notes are an integral
part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 486, ELWOOD, KANSAS
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
 CAPITAL OUTLAY FUND
 Year ended June 30, 2010

		Current year		
	Prior year actual	Actual	Budget	Variance - over (under)
Cash receipts:				
Taxes and shared revenue:				
Ad valorem property - taxes in process	\$ -	\$ 2,219	\$ 2,125	\$ 94
Ad valorem property - current taxes	21,352	(104)	-	(104)
Delinquent	80	157	884	(727)
Motor vehicle	-	495	584	(89)
Recreational vehicle	-	5	7	(2)
State aid:				
Capital outlay	10,851	-	-	-
Investment income	15,210	9,450	-	9,450
Other revenue from local sources	5,093	8,671	-	8,671
Transfers in:				
General fund	71,002	87,325	100,000	(12,675)
Total cash receipts	123,588	108,218	\$ 103,600	\$ 4,618
Expenditures and transfers subject to budget:				
Instruction	1,130	13,175	\$ 20,000	\$ 6,825
Student support services	1,419	-	3,600	3,600
Instructional support staff	-	5,110	10,000	4,890
General administration	-	-	10,000	10,000
School administration	-	-	10,000	10,000
Central services	-	-	10,000	10,000
Operations and maintenance	-	-	10,000	10,000
Other support services	-	-	5,000	5,000
Facilities acquisition and construction	40,997	91,857	125,000	33,143
Principal	60,332	60,000	-	(60,000)
Interest	9,838	4,500	-	(4,500)
Adjustment for qualifying budget credits	-	-	-	-
Total expenditures and transfers subject to budget	113,716	174,642	\$ 203,600	\$ 28,958
Receipts over (under) expenditures	9,872	(66,424)		
Unencumbered cash, beginning of year	90,128	100,000		
Unencumbered cash, end of year	\$ 100,000	\$ 33,576		

The accompanying notes are an integral
part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 486, ELWOOD, KANSAS
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
 DRIVER TRAINING FUND
 Year ended June 30, 2010

	Prior year actual	Current year		
		Actual	Budget	Variance - over (under)
Cash receipts:				
State aid:				
Driver training	\$ 266	\$ 600	\$ 1,000	\$ (400)
Other revenue from local sources	500	250	500	(250)
Reimbursements	50	4,433	-	4,433
Transfers in:				
General fund	-	3,000	-	3,000
Supplemental general fund	-	5,000	8,968	(3,968)
Total cash receipts	<u>816</u>	<u>13,283</u>	<u>\$ 10,468</u>	<u>\$ 2,815</u>
Expenditures and transfers subject to budget:				
Instruction	204	13,369	\$ 15,371	\$ 2,002
Vehicle operations and maintenance services	362	485	629	144
Adjustment for qualifying budget credits	-	-	4,433	4,433
Total expenditures subject to budget	<u>566</u>	<u>13,854</u>	<u>\$ 20,433</u>	<u>\$ 6,579</u>
Receipts over (under) expenditures	250	(571)		
Unencumbered cash, beginning of year	<u>5,282</u>	<u>5,532</u>		
Unencumbered cash, end of year	<u>\$ 5,532</u>	<u>\$ 4,961</u>		

The accompanying notes are an integral
 part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 486, ELWOOD, KANSAS
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
 FOOD SERVICE FUND
 Year ended June 30, 2010

	Prior year actual	Current year		
		Actual	Budget	Variance - over (under)
Cash receipts:				
Federal aid:				
National school lunch/breakfast program	\$ 115,181	\$ 128,183	\$ 109,754	\$ 18,429
State aid:				
School food assistance	1,813	1,793	1,843	(50)
Charge for services	27,918	24,552	41,270	(16,718)
Miscellaneous	2,813	631	-	631
Transfers in:				
General fund	-	4,500	-	4,500
Supplemental general fund	55,000	55,000	55,000	-
 Total cash receipts	 202,725	 214,659	 \$ 207,867	 \$ 6,792
 Expenditures subject to budget:				
Food service operations	204,307	217,639	\$ 241,852	\$ 24,213
Adjustment for qualifying budget credits	-	-	-	-
 Total expenditures subject to budget	 204,307	 217,639	 \$ 241,852	 \$ 24,213
 Receipts over (under) expenditures	 (1,582)	 (2,980)		
 Unencumbered cash, beginning of year	 35,632	 34,050		
 Unencumbered cash, end of year	 \$ 34,050	 \$ 31,070		

The accompanying notes are an integral
 part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 486, ELWOOD, KANSAS
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
 PROFESSIONAL DEVELOPMENT FUND
 Year ended June 30, 2010

	Prior year actual	Current year		
		Actual	Budget	Variance - over (under)
Cash receipts:				
State aid:				
Inservice aid	\$ 351	\$ -	\$ -	\$ -
Transfers in:				
General fund	385	-	-	-
Supplemental general fund	764	-	1,000	(1,000)
Total cash receipts	<u>1,500</u>	<u>-</u>	<u>\$ 1,000</u>	<u>\$ (1,000)</u>
Expenditures subject to budget:				
Instructional support staff	2,534	200	\$ 1,200	\$ 1,000
Adjustment for qualifying budget credits	-	-	-	-
Total expenditures subject to budget	<u>2,534</u>	<u>200</u>	<u>\$ 1,200</u>	<u>\$ 1,000</u>
Receipts over (under) expenditures	(1,034)	(200)		
Unencumbered cash, beginning of year	<u>1,234</u>	<u>200</u>		
Unencumbered cash, end of year	<u>\$ 200</u>	<u>\$ -</u>		

The accompanying notes are an integral
 part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 486, ELWOOD, KANSAS
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
 SPECIAL EDUCATION FUND
 Year ended June 30, 2010

	Prior year actual	Current year		
		Actual	Budget	Variance - over (under)
Cash receipts:				
Transfers in:				
General fund	\$ 282,509	\$ 276,857	\$ 325,000	\$ (48,143)
Supplemental general fund	95,000	70,834	90,000	(19,166)
Total cash receipts	377,509	347,691	\$ 415,000	\$ (67,309)
Expenditures subject to budget:				
Instruction	393,786	360,257	\$ 449,512	\$ 89,255
Adjustment for qualifying budget credits	-	-	-	-
Total expenditures subject to budget	393,786	360,257	\$ 449,512	\$ 89,255
Receipts over (under) expenditures	(16,277)	(12,566)		
Unencumbered cash, beginning of year	50,789	34,512		
Unencumbered cash, end of year	\$ 34,512	\$ 21,946		

The accompanying notes are an integral
 part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 486, ELWOOD, KANSAS
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
 AT RISK FUND
 Year ended June 30, 2010

	Prior year actual	Current year		
		Actual	Budget	Variance - over (under)
Cash receipts:				
Transfers in:				
General fund	\$ 446,531	\$ 236,286	\$ 430,000	\$ (193,714)
Supplemental general fund	20,000	131,883	30,000	101,883
Total cash receipts	466,531	368,169	\$ 460,000	\$ (91,831)
Expenditures subject to budget:				
Instruction	466,531	347,555	\$ 460,000	\$ 112,445
School administration	-	20,614	-	(20,614)
Adjustment for qualifying budget credits	-	-	-	-
Total expenditures subject to budget	466,531	368,169	\$ 460,000	\$ 91,831
Receipts over (under) expenditures	-	-		
Unencumbered cash, beginning of year	-	-		
Unencumbered cash, end of year	\$ -	\$ -		

The accompanying notes are an integral
 part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 486, ELWOOD, KANSAS
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
 VOCATIONAL EDUCATION FUND
 Year ended June 30, 2010

	Prior year actual	Current year		
		Actual	Budget	Variance - over (under)
Cash receipts:				
Miscellaneous	\$ 859	\$ 1,457	\$ -	\$ 1,457
Transfers in:				
General fund	29,133	30,228	30,000	228
Supplemental general fund	30,008	9,419	30,000	(20,581)
Total cash receipts	60,000	41,104	\$ 60,000	\$ (18,896)
Expenditures subject to budget:				
Instruction	58,317	40,876	\$ 58,000	\$ 17,124
Student support services	1,656	228	2,000	1,772
Operations and maintenance	27	-	-	-
Adjustment for qualifying budget credits	-	-	-	-
Total expenditures subject to budget	60,000	41,104	\$ 60,000	\$ 18,896
Receipts over (under) expenditures	-	-		
Unencumbered cash, beginning of year	-	-		
Unencumbered cash, end of year	\$ -	\$ -		

The accompanying notes are an integral
 part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 486, ELWOOD, KANSAS
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
 KPERS RETIREMENT CONTRIBUTIONS
 Year ended June 30, 2010

	Prior year actual	Current year		
		Actual	Budget	Variance - over (under)
Cash receipts:				
State aid:				
KPERS retirement contributions	\$ 148,753	\$ 158,238	\$ 166,603	\$ (8,365)
Total cash receipts	<u>148,753</u>	<u>158,238</u>	<u>\$ 166,603</u>	<u>\$ (8,365)</u>
Expenditures subject to budget:				
Instruction	105,429	123,478	\$ 110,200	\$ (13,278)
Student support services	6,722	3,907	7,840	3,933
Instructional support staff	-	3,907	5,000	1,093
General administration	6,933	6,350	7,000	650
School administration	14,126	9,175	16,000	6,825
Central services	2,631	900	3,260	2,360
Operations and maintenance	7,667	5,910	8,803	2,893
Employee benefits	5,245	4,611	8,500	3,889
Adjustment for qualifying budget credits:	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures subject to budget	<u>148,753</u>	<u>158,238</u>	<u>\$ 166,603</u>	<u>\$ 8,365</u>
Receipts over (under) expenditures	-	-		
Unencumbered cash, beginning of year	<u>-</u>	<u>-</u>		
Unencumbered cash, end of year	<u>\$ -</u>	<u>\$ -</u>		

The accompanying notes are an integral
 part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 486, ELWOOD, KANSAS
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL
 TEXTBOOK RENTAL FUND*
 Year ended June 30, 2010

	Prior year actual	Current year actual
Cash receipts:		
Charge for services	\$ 3,584	\$ 3,667
Total cash receipts	3,584	3,667
Expenditures:		
Instruction	3,584	3,667
Total expenditures	3,584	3,667
Receipts over (under) expenditures	-	-
Unencumbered cash, beginning of year	-	-
Unencumbered cash, end of year	\$ -	\$ -

* This fund is not required to be budgeted.

The accompanying notes are an integral
 part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 486, ELWOOD, KANSAS
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL
 CONTINGENCY RESERVE FUND*
 Year ended June 30, 2010

	Prior year actual	Current year actual
Cash receipts:		
Transfers in:		
General fund	\$ 53,292	\$ —
Total cash receipts	53,292	—
Expenditures:		
Community service operations	—	—
Total expenditures	—	—
Receipts over (under) expenditures	53,292	—
Unencumbered cash, beginning of year	93,963	147,255
Unencumbered cash, end of year	\$ 147,255	\$ 147,255

* This fund is not required to be budgeted.

The accompanying notes are an integral
 part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 486, ELWOOD, KANSAS
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
 FEDERAL FUNDS
 Year ended June 30, 2010

	Prior year actual	Current year		
		Actual	Budget	Variance - over (under)
Cash receipts:				
Federal aid:				
Title I	\$ 96,996	\$ 163,101	\$ 167,293	\$ (4,192)
Title II	15,485	16,988	15,795	1,193
Drug free	1,590	1,585	1,610	(25)
Rural Education Achievement Program	23,234	22,845	26,000	(3,155)
Total cash receipts	<u>137,305</u>	<u>204,519</u>	<u>\$ 210,698</u>	<u>\$ (6,179)</u>
Expenditures subject to budget:				
Instruction	135,505	206,319	\$ 241,495	35,176
Adjustment for qualifying budget credits:				
Reimbursements	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures subject to budget	<u>135,505</u>	<u>206,319</u>	<u>\$ 241,495</u>	<u>\$ 35,176</u>
Receipts over (under) expenditures	1,800	(1,800)		
Unencumbered cash, beginning of year	<u>-</u>	<u>1,800</u>		
Unencumbered cash, end of year	<u>\$ 1,800</u>	<u>\$ -</u>		

The accompanying notes are an integral
 part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 486, ELWOOD, KANSAS
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL
 GRANT FUNDS *
 Year ended June 30, 2010

	Prior year actual	Current year actual
Cash receipts:		
Revenue from other local sources	\$ 1,004	\$ -
Total cash receipts	1,004	-
Expenditures:		
Instruction	1,004	-
Total expenditures	1,004	-
Receipts over (under) expenditures	-	-
Unencumbered cash, beginning of year	-	-
Unencumbered cash, end of year	\$ -	\$ -

* This fund is not required to be budgeted.

The accompanying notes are an integral
 part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 486, ELWOOD, KANSAS
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
 JOINT RECREATION COMMISSION FUND
 Year ended June 30, 2010

	Prior year actual	Current year		
		Actual	Budget	Variance - over (under)
Cash receipts:				
Taxes and shared revenue:				
Ad valorem property - taxes in process	\$ 438	\$ 1,111	\$ 544	\$ 567
Ad valorem property - current taxes	11,209	10,939	10,385	554
Delinquent	370	245	442	(197)
Motor vehicle	831	774	973	(199)
Recreational vehicle	9	8	11	(3)
Total cash receipts	<u>12,857</u>	<u>13,077</u>	<u>\$ 12,355</u>	<u>\$ 722</u>
Expenditures subject to budget:				
Community service operations	12,857	13,077	\$ 12,355	\$ (722)
Adjustment for qualifying budget credits	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures subject to budget	<u>12,857</u>	<u>13,077</u>	<u>\$ 12,355</u>	<u>\$ (722)</u>
Receipts over (under) expenditures	-	-		
Unencumbered cash, beginning of year	<u>-</u>	<u>-</u>		
Unencumbered cash, end of year	<u>\$ -</u>	<u>\$ -</u>		

The accompanying notes are an integral
 part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 486, ELWOOD, KANSAS
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
 BOND & INTEREST FUND
 Year ended June 30, 2010

	Prior year actual	Current year		
		Actual	Budget	Variance - over (under)
Cash receipts:				
Taxes and shared revenue:				
Ad valorem property - taxes in process	\$ 3,367	\$ 5,488	\$ 3,545	\$ 1,943
Ad valorem property - current taxes	54,380	55,191	54,402	789
Delinquent	2,933	1,770	2,180	(410)
Motor vehicle	6,224	5,267	6,452	(1,185)
Recreational vehicle	69	52	72	(20)
State aid:				
School district capital improvement	80,035	59,214	73,569	(14,355)
Miscellaneous	3,246	-	-	-
Total cash receipts	150,254	126,982	\$ 140,220	\$ (13,238)
Expenditures subject to budget:				
Principal	120,000	110,000	\$ 110,000	\$ -
Interest	66,091	61,092	61,091	(1)
Fiscal charges	36	-	50	50
Adjustment for qualifying budget credits	-	-	-	-
Total expenditures subject to budget	186,127	171,092	\$ 171,141	\$ 49
Receipts over (under) expenditures	(35,873)	(44,110)		
Unencumbered cash, beginning of year	353,801	317,928		
Unencumbered cash, end of year	\$ 317,928	\$ 273,818		

The accompanying notes are an integral
 part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 486, ELWOOD, KANSAS
 STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL
 AGENCY FUNDS
 Year ended June 30, 2010

	Beginning cash balance	Cash receipts	Cash disbursements	Ending cash balance
High school student activity funds:				
Art club	\$ —	\$ 477	\$ 139	\$ 338
Cheerleaders	149	4,519	4,490	178
Jr. High Cheerleading	848	3,536	3,597	787
National honor society	188	323	409	102
STUCO	4,019	4,686	4,540	4,165
8th grade class	—	198	198	—
Freshman class	—	868	134	734
Sophomore class	761	4,052	2,880	1,933
Junior class	2,417	16,033	12,904	5,546
Senior class	5,358	752	6,110	—
Graduated classes	1,105	24	1,129	—
Yearbook	4,710	6,521	6,234	4,997
Total high school student activity funds	19,555	41,989	42,764	18,780
Elementary school activity funds:				
5th/6th grade	39	23	—	62
Total elementary school student activity funds	39	23	—	62
Fees and user charges:				
Lunch fund	128	24,551	24,679	—
Book rental	43	1,997	2,040	—
Music	745	—	75	670
Total fees and user charges	916	26,548	26,794	670
Other agency funds:				
Sales tax	34	3,586	3,602	18
Flexible spending	4,758	11,028	12,058	3,728
Subtotal other agency funds	4,792	14,614	15,660	3,746
Total agency fund	\$ 25,302	\$ 83,174	\$ 85,218	\$ 23,258

The accompanying notes are an integral
 part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 486, ELWOOD, KANSAS
 STATEMENT OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH - ACTUAL
 DISTRICT ACTIVITY FUNDS
 Year ended June 30, 2010

	Beginning unencumbered cash balance	Cash receipts	Expenditures	Ending unencumbered cash balance	Outstanding encumbrances and accounts payable	Ending cash balance
Gate receipts:						
High school athletics	\$ 3,653	\$ 37,757	\$ 34,345	\$ 7,065	\$ -	\$ 7,065
Subtotal gate receipts	3,653	37,757	34,345	7,065	-	7,065
School projects:						
Elementary:						
Townsend	6	277	259	24	-	24
Benevolent	445	365	289	521	-	521
Elementary	795	834	710	919	-	919
High school:						
Dance and talent	3	-	-	3	-	3
emPower U grant	(10)	6,506	6,371	125	-	125
After prom	87	-	-	87	-	87
Library	148	5,599	5,444	303	-	303
Special needs Elwood students	-	706	275	431	-	431
PTO	-	507	160	347	-	347
Dorene Mitchell fund	7,000	-	7,000	-	-	-
High school school projects	1,094	575	570	1,099	-	1,099
Subtotal school projects	9,568	15,369	21,078	3,859	-	3,859
Total district activities	\$ 13,221	\$ 53,126	\$ 55,423	\$ 10,924	\$ -	\$ 10,924

The accompanying notes are an integral
part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 486, ELWOOD, KANSAS
NOTES TO THE FINANCIAL STATEMENTS
Year ended June 30, 2010

1. Summary of significant accounting policies

a. Reporting entity

Unified School District No. 486, Elwood, Kansas, ("the District") is a municipal corporation governed by an elected seven-member board. These financial statements present Unified School District No. 486, Elwood, Kansas (the primary government).

The component unit, "Elwood Recreation Commission", has not been included in these financial statements.

b. Reimbursed expenses

Certain expenditures are classified as reimbursed expenses. The purpose of these expenditures is payment for goods and services in which fees are collected and such expenditures are exempt from the budget law under K.S.A. 79-2934. The following expenditures are classified as reimbursed expenses for the year ended June 30, 2010:

General fund	\$ 118,944
Driver training fund	\$ 4,433

Reimbursed expenses are defined as repayments of amounts remitted on behalf of another party. All reimbursed expenses shown in the financial statements meet the following criteria:

1. the related disbursement was made in the current year on behalf of the payee,
2. the item paid for was directly identifiable as having been used by or provided to the payee, and
3. the amount of the reimbursed expense was directly tied to the amount of the original cash disbursement.

c. Basis of accounting

1. Statutory basis of accounting

The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure is charged in the fund from which the transfer is made.

The District has adopted a resolution in accordance with K.S.A. 75-1120a (c) to waive reporting in accordance with accounting principles generally accepted in the United States of America, which allows the District to utilize the statutory basis of accounting.

2. Departure from accounting principles generally accepted in the United States of America

The basis of accounting described above results in a financial statement presentation which shows cash receipts, expenditures, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid expenses, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented.

Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year-end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with accounting principles generally accepted in the United States of America.

Capital assets that account for the land, buildings, and equipment owned by the District are not presented in the financial statements. Also, long-term debt such as general obligation bonds, revenue bonds, capital leases, temporary notes, and compensated absences are not presented in the financial statements.

d. Cash and investments

Cash consists of checking accounts and certificates of deposit.

Cash balances in all funds are considered in determining the amount to be invested and further, unless specifically designated, all investment income is credited to the capital outlay fund.

e. Inventories and prepaid expenses

Inventories and prepaid expenses which benefit future periods are recorded as an expenditure during the year of purchase, as required by state statutes.

f. Fund descriptions

In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The following types of funds comprise the financial activities of the District for the year ended June 30, 2010:

1. Governmental funds

- a. General fund - to account for all unrestricted resources except those required to be accounted for in another fund.

1. Governmental funds (continued)

- b. Special revenue funds - to account for the proceeds of specific revenue sources (other than major capital projects) that are restricted by law or administrative action to expenditure for specified purposes.
- c. Debt service funds - to account for the accumulation of resources for and the payments of, interest and principal and related costs, on general long-term debt.

2. Fiduciary funds

- a. Trust and agency funds - to account for assets held by the District in a trustee capacity or as an agent for individuals, other governmental units, private organizations, and/or other funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Agency funds are custodial in nature and do not involve measurement of operations. The District had no trust funds at June 30, 2010.

g. Prior year partial comparative information

The financial statements include prior year partial comparative information. Such information does not include all of the information required for a presentation in conformity with the Kansas prescribed basis of accounting. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2009, from which such partial information was derived.

2. Stewardship, compliance, and accountability

a. Budgetary information

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds, and enterprise funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

- 1. Preparation of the budget for the succeeding calendar year on or before August 1st.
- 2. Publication in local newspaper on or before August 5th of the proposed budget and notice of public hearing on budget.
- 3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
- 4. Adoption of the final budget on or before August 25th.

The statutes allow for the District to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments for this year.

a. Budgetary information (continued)

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the statutory basis of accounting, in which, revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the District for future payments and are supported by document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

A legal operating budget is not required for capital projects funds, fiduciary funds, and the following special revenue funds:

- Textbook rental
- Contingency reserve
- Grant

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the District.

b. Compliance with Kansas Statutes

The General Fund showed negative ending unencumbered cash balances of \$176,219 and \$241,664 for the years ended June 30, 2010 and 2009, respectively. Additionally, the Supplemental General Fund showed negative ending unencumbered cash balances of \$43,137 and \$51,678 for the years ended June 30, 2010 and 2009, respectively. K.S.A. 10-1116a provides that under certain situations, the funds can end the year with negative unencumbered cash balances and therefore, be exempt from the cash basis law of the State of Kansas (K.S.A. 10-1113). The District is not deemed to be in violation of the Kansas cash basis law for the years ending June 30, 2010 and 2009.

See Note 11 for presentation of the General Fund and Supplemental General Fund under compliance with K.S.A. 72-6417(d) and K.S.A. 72-6434(d).

The District violated K.S.A. 79-2935 by spending expenditures in excess of budgeted limits in the Joint Recreation Commission Fund. Refer to Statement 3.15 for more information.

Management is not aware of any other statutory violations for the period covered by the audit.

3. Deposits and investments

As of June 30, 2010, the District had no investments.

K.S.A. 9-1401 establishes the depositories which may be used by the District. The statute requires banks eligible to hold the District's funds have a main or branch bank in the county in which the District is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the bank to pledge securities for deposits in excess of FDIC coverage. The District has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the District's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The District has no investment policy that would further limit its investment choices.

Concentration of credit risk. State statutes place no limit on the amount the District may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial credit risk - deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State statutes require the District's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka. All deposits were legally secured at June 30, 2010.

At June 30, 2010, the District's carrying amount of deposits was \$356,001 and the bank balance was \$610,359. The bank balance was held by two banks resulting in a concentration of credit risk. Of the bank balance, \$254,728 was covered by federal depository insurance, and the remaining \$355,631 was collateralized with securities held by the pledging financial institutions' agents in the District's name.

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

4. Long-term debt

On November 29, 2007, the District issued \$1,605,000 in general obligation bonds (Series 2007-B) for the purpose of refunding \$1,540,000 of Series 1999 general obligation bonds outstanding in order to provide economic benefits to the District derived from lower interest rates and provide for a more orderly payment. The refunded bonds represented all Series 1999 bonds maturing in the years 2009 and thereafter. A portion of the proceeds from the sale of the Series 2007-B bonds was used to establish an escrow fund until September 1, 2009, the first date on which the District could refund the Series 1999 bonds maturing in the years 2009 and thereafter.

On November 29, 2007, the District issued \$175,000 in general obligation bonds (Series 2007-A) for the purpose of providing funds to acquire real property and construct certain internal improvements including asphaltting a parking lot.

4. Long-term debt (continued)

Changes in long-term liabilities for the District for the year ended June 30, 2010, were as follows:

Issue	Interest rate	Date of issue	Amount of issue	Date of final maturity	Balance beginning of year	Additions	Reductions/ payments	Balance end of year	Interest Paid
<u>General obligation bonds:</u>									
Series 2007-A	3.75%	11/29/2007	\$ 175,000	03/01/2011	\$ 120,000	\$ -	\$ (60,000)	\$ 60,000	\$ 4,500
Series 2007-B	3.85-4.10%	11/29/2007	\$1,605,000	09/01/2019	1,585,000	-	(110,000)	1,475,000	61,092
Total general obligation bonds					1,705,000	-	(170,000)	1,535,000	65,592
<u>Capital leases:</u>									
Playground equipment	4.5%	09/27/2007	\$ 7,324	09/28/2013	6,234	-	(1,145)	5,089	275
Irrigation equipment	4.5%	09/27/2007	\$ 5,829	09/28/2013	4,961	-	(907)	4,054	223
Track resurfacing	4.5%	02/07/2008	\$35,900	12/31/2013	30,440	-	(5,583)	24,857	1,347
Total capital leases					41,635	-	(7,635)	34,000	1,845
Total long-term debt					\$1,746,635	\$ -	\$ (177,635)	\$ 1,569,000	\$ 67,437

4. Long-term debt (continued)

Current maturities of long-term debt and interest for the next five years and in five year increments through maturity are as follows:

Year ended June 30,									
	2011	2012	2013	2014	2015	2016-2020	2021-2025	2026-2030	Total
Principal:									
G.O. Bonds:									
Series 2007-A	\$ 60,000	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 60,000
Series 2007-B	115,000	125,000	130,000	135,000	145,000	825,000	—	—	1,475,000
Capital leases:									
Playground equipment	1,191	1,244	1,300	1,354	—	—	—	—	5,089
Irrigation equipment	948	990	1,035	1,081	—	—	—	—	4,054
Track resurfacing	5,812	6,073	6,346	6,626	—	—	—	—	24,857
Total principal	182,951	133,307	138,681	144,061	145,000	825,000	—	—	1,569,000
Interest:									
G.O. Bonds:									
Series 2007-A	2,250	—	—	—	—	—	—	—	2,250
Series 2007-B	56,591	51,791	46,691	41,493	36,084	86,668	—	—	319,318
Capital leases:									
Playground equipment	229	175	119	66	—	—	—	—	589
Irrigation equipment	182	140	95	49	—	—	—	—	466
Track resurfacing	1,119	857	584	425	—	—	—	—	2,985
Total interest	60,371	52,963	47,489	42,033	36,084	86,668	—	—	325,608
Total principal and interest payments	\$ 243,322	\$ 186,270	\$ 186,170	\$ 186,094	\$ 181,084	\$ 911,668	\$ —	\$ —	\$ 1,894,608

5. Interfund transfers

Operating transfers were as follows:

From	To	Statutory Authority	Amount
General Fund	Capital Outlay	K.S.A. 72-6428	\$ 87,325
General Fund	Driver Training	K.S.A. 72-6428	3,000
General Fund	Food Service	K.S.A. 72-6428	4,500
General Fund	Special Education	K.S.A. 72-6428	276,857
General Fund	At-Risk	K.S.A. 72-6428	236,286
General Fund	Vocational Education	K.S.A. 72-6428	30,228
Total General fund transfers			<u>638,196</u>
Supplemental			
General Fund	Driver Training	K.S.A. 72-6433	5,000
Supplemental			
General Fund	Food Service	K.S.A. 72-6433	55,000
Supplemental			
General Fund	Special Education	K.S.A. 72-6433	70,834
Supplemental			
General Fund	At-Risk	K.S.A. 72-6433	131,883
Supplemental			
General Fund	Vocational Education	K.S.A. 72-6433	9,419
Total Supplemental General fund transfers			<u>272,136</u>
Total operating transfers			<u>\$ 910,332</u>

6. Commitments

The District has the following lease agreements:

- a. Noncancelable operating leases - Copiers and related equipment are being leased, requiring total monthly payments of \$1,104.
- b. Future minimum rental payments required under the non-cancelable operating leases as of June 30, 2010 are as follows:

2011	\$ 6,844
2012	<u>2,160</u>
Total	<u>\$ 9,004</u>

7. Defined benefit plan

1. Plan description

The District contributes to the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

2. Funding policy

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary. Member-employees' contributions are withheld by their employer and paid to KPERS according to the provisions of section 414(h) of the Internal Revenue Code. The State of Kansas is required to contribute the remaining amount necessary to achieve the actuarially determined contribution rate. Kansas currently contributes an average of 7.97% of covered payroll for fiscal year 2009, and an average of 8.57% of covered payroll for fiscal year 2010.

These contribution requirements are established by KPERS and are periodically revised. Kansas' contributions to KPERS for all Kansas public school employees for the years ending June 30, 2010, 2009, and 2008 were \$248,468,186, \$242,277,363, and \$220,815,154, respectively, equal to the required contributions for each year.

8. Other post employment benefits

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the District makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the government under this program.

9. Compensated absences

The District policy regarding sick leave is to accrue days for certified staff up to a maximum of seventeen days and no accrual for noncertified staff. Any sick time in excess of the accrued maximum is paid at the end of each school year at the substitute rate of pay. Tenured certified staff will be paid any remaining accrued sick days at the time of termination at their daily rate of pay. Unused personal days are paid at the substitute rate of pay at the end of each school year. Vacation pay is immaterial in amount as employees are required to take vacation prior to the year-end.

10. Subsequent event

On July 1, 2010, Unified School District No. 486, Elwood, Kansas consolidated with Unified School District No. 406, Wathena, Kansas forming Unified School District No. 114, Riverside.

11. Compliance with K.S.A. 72-6417(d) and K.S.A. 72-6434 (d)

K.S.A. 72-6417(d) and K.S.A. 72-6434(d) require the school district to record any payment of general state aid that is due to be paid during the month of June and is paid to the school district after June 30, as a receipt for the school year ending on June 30. The following shows the revenue as required by these Statutes.

STATUTORY REVENUES AND EXPENDITURES - STATUTORY AND BUDGET
For the Year Ended June 30, 2010
GENERAL FUND

	Prior Year Statutory Transactions	Current year		
		Statutory Transactions	Budget	Variance - over (under)
Statutory revenues:				
Taxes and shared revenue:				
Ad valorem property - taxes in process	\$ 7,556	\$ 20,940	\$ 16,123	\$ 4,817
Ad valorem property - current taxes	200,803	196,093	191,465	4,628
Delinquent	4,565	2,832	8,165	(5,333)
State aid:				
Equalization aid	2,272,580	1,890,971	2,029,984	(139,013)
Special education services	284,176	258,021	325,000	(66,979)
Federal aid:				
ARRA stabilization	-	123,521	123,521	-
Miscellaneous	120	1,080	200	880
Reimbursed expenses	117,066	118,944	-	118,944
 Total statutory revenues	 2,886,866	 2,612,402	 \$ 2,694,458	 \$ (82,056)
Expenditures:				
Instruction	1,163,124	1,180,392	\$ 973,040	\$ (207,352)
Student support services	53,274	64,026	56,500	(7,526)
Instructional support staff	41,465	45,137	41,800	(3,337)
General administration	141,381	146,746	145,100	(1,646)
School administration	254,620	226,290	248,618	22,328
Central services	41,268	42,972	45,200	2,228
Operations and maintenance	276,885	251,115	265,200	14,085
Student transportation services	31,997	17,528	34,000	16,472
Transfers out	882,852	638,196	885,000	246,804
Adjustment to comply with legal max	-	-	(201,000)	(201,000)
Legal General Fund Budget	2,886,866	2,612,402	2,493,458	(118,944)
Adjustment for qualifying budget credits:				
Reimbursements	-	-	118,944	118,944
 Total expenditures	 2,886,866	 2,612,402	 \$ 2,612,402	 \$ -
 Statutory revenue over (under) expenditures	 -	 -		
 Modified unencumbered cash, beginning of year	 -	 -		
 Modified unencumbered cash, end of year	 \$ -	 \$ -		

11. Compliance with K.S.A. 72-6417(d) and K.S.A. 72-6434(d) (continued)

STATUTORY REVENUES AND EXPENDITURES - STATUTORY AND BUDGET
For the Year Ended June 30, 2010
SUPPLEMENTAL GENERAL FUND

	Prior Year Statutory Transactions	Current year		
		Statutory Transactions	Budget	Variance - over (under)
Statutory revenues:				
Taxes and shared revenue:				
Ad valorem property - taxes in process	\$ 5,474	\$ 17,146	\$ 16,249	\$ 897
Ad valorem property - current taxes	164,740	190,343	175,446	14,897
Delinquent	4,287	3,094	6,821	(3,727)
Motor vehicle	10,264	10,397	12,653	(2,256)
Recreational vehicle	114	101	141	(40)
State aid:				
Equalization aid	267,995	204,737	271,416	(66,679)
Federal aid:				
ARRA stabilization	-	69,561	-	69,561
Reimbursements	4,353	-	-	-
Total statutory revenues	<u>457,227</u>	<u>495,379</u>	<u>\$ 482,726</u>	<u>\$ 12,653</u>
Expenditures:				
Instruction	199,499	125,928	\$ 198,802	\$ 72,874
Student support services	3,000	5,816	4,500	(1,316)
Instructional support staff	797	1,316	1,800	484
General administration	431	13,590	430	(13,160)
Operations and maintenance	54,854	66,214	64,500	(1,714)
Transfers out	200,772	272,136	214,968	(57,168)
Adjustment to comply with legal max	-	-	-	-
Legal Supplemental General Fund budget	459,353	485,000	485,000	-
Adjustment for qualifying budget credits	-	-	-	-
Total expenditures	<u>459,353</u>	<u>485,000</u>	<u>\$ 485,000</u>	<u>\$ -</u>
Statutory revenues over (under) expenditures	(2,126)	10,379		
Modified unencumbered cash, beginning of year	<u>4,047</u>	<u>1,921</u>		
Modified unencumbered cash, end of year	<u>\$ 1,921</u>	<u>\$ 12,300</u>		

ADDITIONAL INFORMATION

UNIFIED SCHOOL DISTRICT NO. 486, ELWOOD, KANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2010

Federal grantor/ pass-through grantor/ program title (pass through grantor number)	Federal CFDA number	Program or award amount	Beginning unencumbered cash balance	Cash receipts	Expenditures	Ending unencumbered cash balance	Outstanding encumbrances	Ending cash balance
<u>U.S. Department of Education</u>								
Direct: Rural Education Achievement Program	85.358	\$ 22,845	\$ -	\$ 22,845	\$ 22,845	\$ -	\$ -	\$ -
Passed through Kansas Department of Education:								
Title I, part A cluster:								
Title I grants to local education agencies (DO486 3532-3520 3520)	84.010	97,825	-	97,825	97,825	-	-	-
Title I grants to local education agencies, Recovery Act (DO486 3532-3525 3525)	84.389	65,276	1,800	65,276	67,076	-	-	-
Subtotal Title I, part A cluster		163,101	1,800	163,101	164,901	-	-	-
Safe and drug-free schools and communities (DO486 3795-3100 3100 1000)	84.186	1,585	-	1,585	1,585	-	-	-
Educational technology state grants cluster:								
Education technology state grants (DO486 3233-3040 3040 9962)	84.318	885	-	885	885	-	-	-
Education technology state grants, Recovery Act (DO486 3233-3044 3044 9964)	84.386	2,177	-	2,177	2,177	-	-	-
Subtotal Educational technology state grants cluster		3,062	-	3,062	3,062	-	-	-
Improving teacher quality state grants (DO486 3526-3860 3860)	84.367	13,926	-	13,926	13,926	-	-	-
Statewide data systems (DO486 3592-3070 N083)	84.372	800	-	800	800	-	-	-
State fiscal stabilization fund - education state grants, Recovery Act (DO486 S394A090017)	84.394	193,082	-	193,082	193,082	-	-	-
Total U.S. Department of Education		398,401	1,800	398,401	400,201	-	-	-
<u>U.S. Department of Agriculture</u>								
Passed through Kansas Department of Education:								
Child nutrition cluster:								
School breakfast program (DO486 3529-3490 3490 9904)	10.553	31,450	-	31,450	31,450	-	-	-
National school lunch program (DO486 3530-3500 3500 9902/9912)	10.555	96,733	-	96,733	96,733	-	-	-
Total U.S. Department of Agriculture		128,183	-	128,183	128,183	-	-	-
Total federal assistance		\$ 526,584	\$ 1,800	\$ 526,584	\$ 528,384	\$ -	\$ -	\$ -

*Note 1 on page 35 is an integral part of this Schedule of Expenditures of Federal Awards.

See Independent Auditors' Report

UNIFIED SCHOOL DISTRICT NO. 486, ELWOOD, KANSAS
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2010

1. Basis of accounting

a. Statutory basis of accounting

The statutory basis of accounting, as used in the preparation of this schedule of expenditures of federal awards, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure is charged in the fund from which the transfer is made.

The District has adopted a resolution in accordance with K.S.A. 75-1120a(c)(1) to waive reporting in accordance with accounting principles generally accepted in the United States of America, which allows the District to utilize the statutory basis of accounting.

b. Departure from accounting principles generally accepted in the United States of America

The basis of accounting described above results in a financial statement presentation which shows cash receipts, expenditures, and cash and unencumbered cash balances.

Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year-end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with accounting principles generally accepted in the United States of America.

COMPLIANCE SECTION



Kramer & Associates CPAs, LLC

Making the right move for your business

Tony Kramer, CPA
Joseph J. Wood, CPA
Deb Taylor, CPA
Megan Todd, CPA
Amy Schwinn, CPA
Sherrie Hodges, CPA

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Board of Education
Unified School District No. 486,
Elwood, Kansas

We have audited the financial statements of Unified School District No. 486, (the "District"), Elwood, Kansas, as of and for the year ended June 30, 2010, and have issued our report thereon dated December 13, 2010. Those financial statements were prepared on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The Independent Auditors' Report expressed an unqualified opinion on the cash basis and budget law financial statements of Unified School District No. 486, Elwood, Kansas and an adverse opinion on the application of accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the *Kansas Municipal Audit Guide*, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency in internal control over financial reporting (2010-1). A *significant deficiency* is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Education and committees thereto, management, others within the entity, U.S. Department of Education, U.S. Department of Agriculture, the Kansas Division of Accounts and Reports, and the Kansas State Department of Education and is not intended to be and should not be used by anyone other than these specified parties.

Kramer & Associates CPAs, L.L.C.

Kramer & Associates CPAs, LLC
Leavenworth, Kansas
December 13, 2010



Kramer & Associates CPAs, LLC

Making the right move for your business

Tony Kramer, CPA
Joseph J. Wood, CPA
Deb Taylor, CPA
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Amy Schwinn, CPA
Sherrie Hodges, CPA

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Education
Unified School District No. 486,
Elwood, Kansas

Compliance

We have audited the compliance of Unified School District No. 486, (the "District"), Elwood, Kansas with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2010. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express opinions on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the Kansas Municipal Audit Guide; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinions on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information of the Board of Education and committees thereto, management, others within the entity, the U.S. Department of Education, the U.S. Department of Agriculture, the Kansas Division of Accounts and Reports, and the Kansas State Department of Education and is not intended to be and should not be used by anyone other than these specified parties.

KRAMER & ASSOCIATES CPAs, L.L.C.

Kramer & Associates CPAs, LLC
Leavenworth, Kansas
December 13, 2010

UNIFIED SCHOOL DISTRICT NO. 486,
ELWOOD, KANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2010

A. Summary of Audit Results

1. The Independent Auditors' Report expressed an unqualified opinion on the cash basis and budget law financial statements of Unified School District No. 486, Elwood, Kansas and an adverse opinion on the application of accounting principles generally accepted in the United States of America.
2. One significant deficiency disclosed during the audit of the financial statements is reported in the Report on Internal Control over Financial Reporting Based and on Compliance and other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards. The condition is not reported as a material weakness.
3. No instances of noncompliance material to the financial statements of Unified School District No. 486, Elwood, Kansas were disclosed during the audit.
4. No significant deficiencies in internal control over major federal awards programs disclosed during the audit are being reported. No deficiencies considered to be material weaknesses in internal control over major programs were identified.
5. The Independent Auditors' report on compliance for each major federal awards program for Unified School District No. 486, Elwood, Kansas, expresses an unqualified opinion on all major programs.
6. There were no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 in this schedule.
7. The programs tested as major programs included:

United States Department of Education

CFDA No.	Title
84.394	State Fiscal Stabilization Fund Education Grants, Recovery Funds

United States Department of Agriculture

CFDA No.	Title
10.553	School breakfast program (part of child nutrition cluster)
10.555	National school lunch program (part of child nutrition cluster)

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Unified School District No. 486, Elwood, Kansas, was not determined to be a low-risk auditee.

B. Findings - Financial Statement Audit

2010-1 Segregation of duties

<i>Criteria</i>	No one employee should have access to both physical assets and the related accounting records or to all phases of a transaction. Specifically, there are three critical duties that should be separated for internal control purposes: signing checks, maintaining fund accounting records, and reconciling the bank statements.
<i>Condition</i>	The District does not have complete segregation of duties with respect to financial transactions and reporting.
<i>Cause</i>	The District does not have the resources and it is not cost beneficial to hire the staff needed for a complete segregation of duties.
<i>Effect</i>	Errors in processing transactions and financial reporting and/or the misappropriation of assets might not be detected in a timely manner or might not be detected at all.
<i>Recommendation</i>	The District should take steps to have as many financial transactions as possible independently reviewed.
<i>Management's Response</i>	We agree with the finding.

C. Findings and questioned costs - Major Federal Awards Programs Audit

None.

UNIFIED SCHOOL DISTRICT NO. 486,
ELWOOD, KANSAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year ended June 30, 2010

Findings - Financial Statement Audit

2009-1 Significant deficiency: Segregation of Duties

Criteria: No one employee should have access to both physical assets and the related accounting records or to all phases of a transaction. Specifically, there are three critical duties that should be separated for internal control purposes: signing checks, maintaining fund accounting records, and reconciling the bank statements.

Condition: The District does not have complete segregation of duties with respect to financial transactions and reporting.

Cause: The District does not have the resources and it is not cost beneficial to hire the staff needed for a complete segregation of duties.

Effect: Errors in processing transactions and financial reporting and/or the misappropriation of assets might not be detected in a timely manner or might not be detected.

Recommendation: The District should take steps to have as many financial transactions as possible independently reviewed.

Status of Finding: The District has taken steps to have transactions independently reviewed. However, the condition still remains and is reported in the schedule of findings and questioned costs as finding number 2010-1.

2009-2: Significant deficiency: Activity Fund receipts and disbursements

Criteria: District schools are required to follow established District internal controls when processing transactions and accounting for activity funds.

Condition: We noted that the Senior High Cheerleading sponsor was holding money earned by the cheerleaders and disbursing the money as she deemed necessary rather than turning the money into the activity fund bookkeeper.

Cause: School personnel did not follow established controls and procedures.

Effect: As not all receipts were being reported to the activity fund bookkeeper, sales tax to be paid to the State of Kansas was not being reported and paid on all taxable items. In addition, not following policies and procedures makes the activity fund money more vulnerable to misuse and fraud.

Recommendation: We recommended that all money be turned into the activity fund bookkeeper intact and requests be made to the activity fund bookkeeper when items are to be purchased.

Status of Finding: The administration at Elwood High School estimated the amount of receipts that were not turned in and filed the applicable sales tax with the state of Kansas. Also, we noted an increase in the amount of receipts and disbursements recorded in the accounting records.

Findings - Major Federal Award Programs Audit

None.